HOUSING MARKET INFORMATION

# HOUSING MARKET OUTLOOK
## Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2011

## Housing Market Forecast

Figure 1

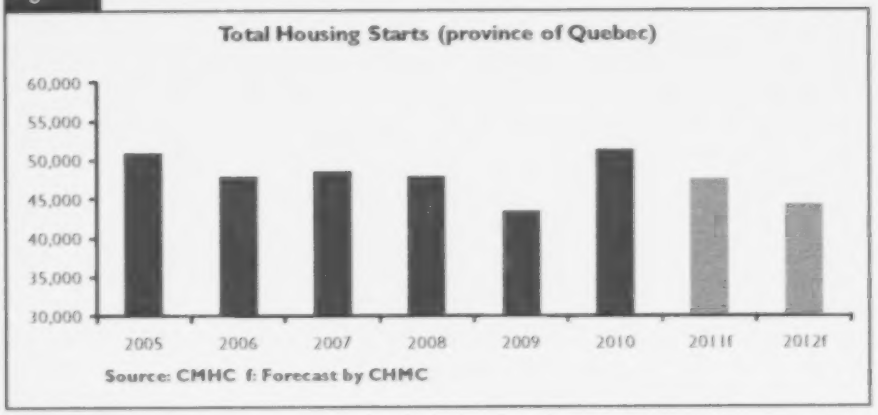
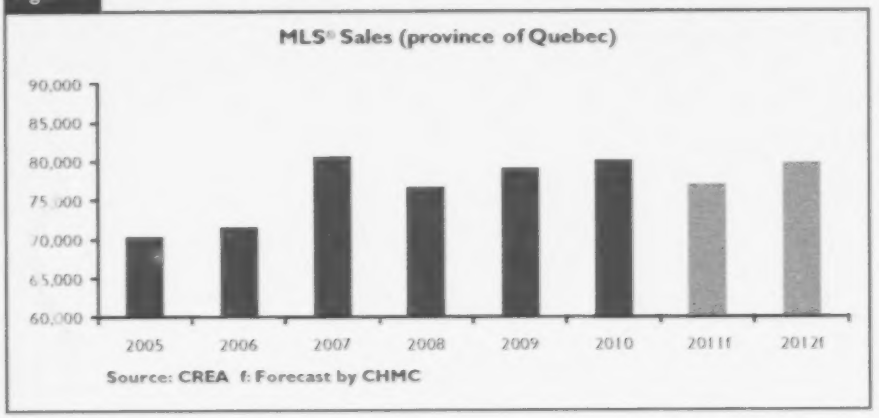



Figure 2




[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of August 12, 2011.

## Overview[1]

A growing economy, still favourable borrowing conditions and sustained net migration will continue to support Quebec's housing markets in the next two years. As a result, 47,500 housing starts are expected in 2011 followed by 44,300 starts in 2012. The improved global and national economic environments, which have positively impacted Quebec's economy since the second half of 2009, will continue to do so this year and next. Solid household spending and private investment will support job creation and, in turn, housing demand. GDP is expected to grow by approximately 2.5 per cent in 2011 and by 2.4 per cent in 2012.

As was the case in recent years, a variety of demographic factors will also fuel the province's housing markets in the coming years. Strong net immigration to the province will continue to have a positive impact on the rental and resale markets. In addition, population ageing will likely prompt older households to enter the market in response to their changing housing needs.

## Mortgage Rates

On July 19th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before starting to increase moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 4.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range. For 2012, the one-year posted mortgage rate is assumed be in the 2.6 to 4.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.3 to 5.6 per cent range. These ranges reflect the current heightened level of uncertainty in financial markets.

## In Detail

### Single Starts:

For most of last year, new construction of single detached homes has benefited from the improved economic and financial environment as well as from the reduced supply of such homes on the resale market. However, slower job growth and the recent easing of the resale market have taken pressure off of new construction. Approximately 17,500 single detached homes will be started in both 2011 and 2012. It must be added that a trend toward the more affordable multi-family housing and densification will further cool this market segment in the years to come.

| Mortgage rates | | |
|---|---|---|
| 1 Year | Q2 2011 | 3.95 |
| | Change from Q1 2010 | 0.25 |
| | 2011 (F) | 4.02 |
| | 2012 (F) | 5.24 |
| 5 Year | Q2 2011 | 5.56 |
| | Change from Q1 2010 | -0.48 |
| | 2011 (F) | 5.60 |
| | 2012 (F) | 5.99 |

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q2 2011 data

The share of single detached housing starts has consistently declined from over 60 per cent of the total in 2001 to 40 per cent last year.

### Multiple Starts:

Following a strong rebound in 2010, starts of multi-family dwellings will settle back to more sustainable levels in the next two years. Given the current supply of condominium tenure apartments on the market and given the lower growth rate of the population aged 75 and over, which will continue to limit demand for retirement (rental apartment) homes, starts of multiple family homes in 2011 will inevitably decline. Nonetheless, given the trend toward multi-family housing, multiple starts will reach the 30,300 unit mark in 2011 and 26,500 units in 2012.

### Resales:

Given a weaker start during the first half of this year, the MLS® will record a lower level of sales activity than the previous year. Again this year, sales of existing condominiums (town houses or apartments) will be an important component of the total. As a result, 77,000 MLS® sales are forecast in 2011 and 79,700 in 2012.

### Prices:

Relatively stable demand for resale homes, combined with rising supply, will take some pressure off prices over the course of the next year. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2011 and in 2012 to $251,500 and $256,400, respectively.

## Quebec Region Economic and Housing Indicators

| | | Labour Market | | | | Housing Market | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Emp. Growth SA (%) | Unemp. Rate SA (%) | Average Weekly Earnings ($) | | Total Starts | Single-Detached Starts | Multiple Starts | MLS® Sales | MLS® Average Price ($) |
| **Gatineau** | Q2 2011 | 3.1 | 6.5 | 868.73 | Q2 2011 | 818 | 281 | 537 | 1,222 | 236,167 |
| | Q2 2010 | 1.6 | 6.5 | 863.01 | Q2 2010 | 948 | 337 | 611 | 1,420 | 221,892 |
| | Change[1] | 1.5 | 0.0 | 0.7% | % Change | -13.7 | -16.6 | -12.1 | -13.9 | 6.4 |
| **Montréal** | Q2 2011 | 0.6 | 8.0 | 763.73 | Q2 2011 | 5,892 | 1,497 | 4,395 | 12,149 | 317,871 |
| | Q2 2010 | 3.7 | 8.5 | 755.00 | Q2 2010 | 6,285 | 1,934 | 4,351 | 13,192 | 299,255 |
| | Change[1] | -3.1 | -0.5 | 1.2% | % Change | -6.3 | -22.6 | 1.0 | -7.9 | 6.2 |
| **Québec** | Q2 2011 | 0.5 | 5.8 | 763.16 | Q2 2011 | 1,777 | 515 | 1,262 | 2,064 | 250,987 |
| | Q2 2010 | 1.2 | 5.6 | 776.05 | Q2 2010 | 2,050 | 708 | 1,342 | 1,963 | 235,513 |
| | Change[1] | -0.6 | 0.2 | -1.7% | % Change | -13.3 | -27.3 | -6.0 | 5.1 | 6.6 |
| **Saguenay** | Q2 2011 | -3.3 | 7.6 | 734.32 | Q2 2011 | 304 | 180 | 124 | 463 | 180,875 |
| | Q2 2010 | 1.6 | 8.1 | 723.52 | Q2 2010 | 302 | 167 | 135 | 404 | 168,823 |
| | Change[1] | -4.8 | -0.5 | 1.5% | % Change | 0.7 | 7.8 | -8.1 | 14.6 | 7.1 |
| **Sherbrooke** | Q2 2011 | 9.6 | 6.2 | 705.19 | Q2 2011 | 506 | 189 | 317 | 523 | 222,633 |
| | Q2 2010 | -2.9 | 7.4 | 710.68 | Q2 2010 | 641 | 218 | 423 | 469 | 214,027 |
| | Change[1] | 12.4 | -1.2 | -0.8% | % Change | -21.1 | -13.3 | -25.1 | 11.5 | 4.0 |
| **Trois Rivières** | Q2 2011 | 3.0 | 8.5 | 712.31 | Q2 2011 | 303 | 113 | 190 | 282 | 156,078 |
| | Q2 2010 | -0.2 | 8.3 | 721.71 | Q2 2010 | 416 | 140 | 276 | 269 | 149,646 |
| | Change[1] | 3.2 | 0.2 | -1.3% | % Change | -27.2 | -19.3 | -31.2 | 4.8 | 4.3 |
| **Quebec** | June 11 | 0.9 | 7.9 | 752.07 | Q2 2011 | 14,150 | 5,540 | 8,610 | 23,064 | 263,862 |
| | June 10 | 2.0 | 7.9 | 741.97 | Q2 2010 | 15,922 | 6,765 | 9,157 | 24,206 | 250,062 |
| | Change[1] | -1.1 | 0.0 | 1.4% | % Change | -11.1 | -18.1 | -6.0 | -4.7 | 5.5 |
| **Canada** | June 11 | 1.4 | 7.4 | 836.55 | Q2 2011 | 52,625 | 23,677 | 28,948 | 141,366 | 374,159 |
| | June 10 | 2.0 | 7.9 | 814.91 | Q2 2010 | 55,287 | 28,958 | 26,329 | 143,042 | 345,015 |
| | Change[1] | -0.6 | -0.5 | 2.7% | % Change | -4.8 | -18.2 | 9.9 | -1.2 | 8.4 |

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®
"SA" means Seasonally Adjusted
**NOTE:** Some of the data in this table, such as the MLS(R) sales and average price for Q2 and the revised data for Q1, became available after the cut-off date of July 14th 2011. As a result, this data was not considered for the forecast.

| Quebec Housing Market Outlook (units and percentage change) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011(F) | 2012(F) | 2011Q1 | 2011Q2 | 2011Q3 (F) | 2011Q4 (F) |
| **Housing Starts:** | | | | | | | | | | | |
| Single | 21,917 | 22,177 | 19,778 | 17,535 | 19,549 | 17,200 | 17,800 | 16,900 | 16,800 | 17,750 | 17,500 |
| % | -8.4 | 1.2 | -10.8 | -11.3 | 11.5 | -12.0 | 3.5 | -5.1 | -0.6 | 5.7 | -1.4 |
| Multiple | 25,960 | 26,376 | 28,123 | 25,868 | 31,814 | 30,300 | 26,500 | 30,100 | 32,200 | 30,000 | 29,000 |
| % | -3.8 | 1.6 | 6.6 | -8.0 | 23.0 | -4.8 | -12.5 | 0.0 | 7.0 | -6.8 | -3.3 |
| Total | 47,877 | 48,553 | 47,901 | 43,403 | 51,363 | 47,500 | 44,300 | 47,000 | 49,000 | 47,750 | 46,500 |
| % | -6.0 | 1.4 | -1.3 | -9.4 | 18.3 | -7.5 | -6.7 | -1.9 | 4.3 | -2.6 | -2.6 |
| **Existing Home Markets:** | | | | | | | | | | | |
| MLS® Sales | 71,619 | 80,647 | 76,753 | 79,109 | 80,034 | 77,000 | 79,700 | 78,816 | 76,000 | 76,000 | 77,000 |
| % | 1.8 | 12.6 | -4.8 | 3.1 | 1.2 | -3.8 | 3.5 | -0.7 | -3.6 | 0.0 | 1.3 |
| MLS® Average Price | 195,208 | 207,531 | 215,320 | 225,368 | 241,455 | 251,500 | 256,400 | 250,430 | 251,000 | 252,000 | 253,000 |
| % | 5.8 | 6.3 | 3.8 | 4.7 | 7.1 | 4.2 | 1.9 | 1.2 | 0.2 | 0.4 | 0.4 |

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Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the MLS(R) sales and average price for Q2 and the revised data for Q1, became available after the cut-off date of July 14th 2011. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

## Quebec Region - Housing Forecast Ranges

| | 2011 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Point Forecast | High Forecast | Low Forecast | Point Forecast | High Forecast | Low Forecast |
| **Quebec** | | | | | | |
| Housing Starts | 47,500 | 51,100 | 43,150 | 44,300 | 49,600 | 38,900 |
| Multiple | 30,300 | 32,400 | 27,350 | 26,500 | 28,700 | 23,300 |
| Single | 17,200 | 18,700 | 15,800 | 17,800 | 20,900 | 15,600 |
| MLS® Sales | 77,000 | 81,400 | 73,400 | 79,700 | 89,200 | 70,800 |
| MLS® Average Price ($) | 251,500 | 258,800 | 243,000 | 256,400 | 268,500 | 244,000 |
| **Canada** | | | | | | |
| Housing Starts | 183,200 | 197,200 | 166,300 | 183,900 | 207,200 | 161,700 |
| Multiple | 101,600 | 108,500 | 91,500 | 99,000 | 107,700 | 87,200 |
| Single | 81,600 | 88,700 | 74,800 | 84,900 | 99,500 | 74,500 |
| MLS® Sales | 446,700 | 472,500 | 425,000 | 458,000 | 510,000 | 407,500 |
| MLS® Average Price ($) | 367,500 | 378,300 | 355,200 | 372,400 | 389,700 | 354,500 |

Sources : CMHC

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## Quebec Region Housing Forecast - New Construction

| | Housing Starts | 2010 | 2011(F)* | % chg (2010/2011) | 2012(F)* | % chg (2011/2012) | YTD 2011** | YTD 2010** | % chg (2010/2011) |
|---|---|---|---|---|---|---|---|---|---|
| **Gatineau** | Single-Detached | 910 | 750 | -17.6 | 700 | -6.7 | 391 | 450 | -13.1 |
| | Multiple | 1,777 | 1,600 | -10.0 | 1,550 | -3.1 | 855 | 869 | -1.6 |
| | Total | 2,687 | 2,350 | -12.5 | 2,250 | -4.3 | 1,246 | 1,319 | -5.5 |
| **Montréal** | Single-Detached | 5,789 | 4,800 | -17.1 | 4,700 | -2.1 | 2,411 | 3,254 | -25.9 |
| | Multiple | 16,212 | 15,900 | -1.9 | 14,200 | -10.7 | 7,859 | 7,938 | -1.0 |
| | Total | 22,001 | 20,700 | -5.9 | 18,900 | -8.7 | 10,270 | 11,192 | -8.2 |
| **Québec** | Single-Detached | 1,768 | 1,400 | -20.8 | 1,200 | -14.3 | 730 | 1,034 | -29.4 |
| | Multiple | 4,884 | 4,300 | -12.0 | 4,100 | -4.7 | 2,157 | 2,141 | 0.7 |
| | Total | 6,652 | 5,700 | -14.3 | 5,300 | -7.0 | 2,887 | 3,175 | -9.1 |
| **Saguenay** | Single-Detached | 380 | 440 | 15.8 | 360 | -18.2 | 264 | 190 | 38.9 |
| | Multiple | 403 | 460 | 14.1 | 440 | -4.3 | 193 | 168 | 14.9 |
| | Total | 783 | 900 | 14.9 | 800 | -11.1 | 457 | 358 | 27.7 |
| **Sherbrooke** | Single-Detached | 570 | 500 | -12.3 | 475 | -5.0 | 256 | 306 | -16.3 |
| | Multiple | 1,086 | 950 | -12.5 | 925 | -2.6 | 583 | 669 | -12.9 |
| | Total | 1,656 | 1,450 | -12.4 | 1,400 | -3.4 | 839 | 975 | -13.9 |
| **Trois Rivières** | Single-Detached | 345 | 300 | -13.0 | 275 | -8.3 | 138 | 181 | -23.8 |
| | Multiple | 1,346 | 500 | -62.9 | 425 | -15.0 | 275 | 698 | -60.6 |
| | Total | 1,691 | 800 | -52.7 | 700 | -12.5 | 413 | 879 | -53.0 |

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - June

## Quebec Region Housing Forecast - Resale Market

| | | 2010 | 2011(F)* | % chg (2010/2011) | 2012(F)* | % chg (2011/2012) | YTD 2010* | YTD 2011* | % chg (/) |
|---|---|---|---|---|---|---|---|---|---|
| **Gatineau** | MLS® Sales[1] | 4,238 | 3,950 | -9.2 | 3,825 | -0.6 | 2,547 | 2,121 | -16.7 |
| | MLS® Avg. Price[1] | 218,646 | 229,000 | 4.7 | 234,000 | 2.2 | 216,973 | 233,956 | 7.8 |
| **Montreal** | MLS® Sales[1] | 42,302 | 40,400 | -4.5 | 41,800 | 3.5 | 26,341 | 23,830 | -9.5 |
| | MLS® Avg. Price[1] | 297,587 | 313,500 | 5.3 | 322,500 | 2.9 | 293,057 | 310,125 | 5.8 |
| **Québec** | MLS® Sales[1] | 7,083 | 7,500 | 5.9 | 7,600 | 1.3 | 4,131 | 4,061 | -1.7 |
| | MLS® Avg. Price[1] | 237,240 | 254,000 | 7.1 | 267,000 | 5.1 | 232,190 | 246,350 | 6.1 |
| **Saguenay** | MLS® Sales[1] | 1,461 | 1,400 | -4.2 | 1,425 | 1.8 | 854 | 772 | -9.6 |
| | MLS® Avg. Price[1] | 168,224 | 180,000 | 7.0 | 190,000 | 5.6 | 167,051 | 177,202 | 6.1 |
| **Sherbrooke** | MLS® Sales[1] | 1,733 | 1,750 | 1.0 | 1,725 | -1.4 | 1,029 | 1,027 | -0.2 |
| | MLS® Avg. Price[1] | 204,423 | 220,000 | 7.6 | 228,000 | 3.6 | 198,429 | 215,591 | 8.6 |
| **Trois Rivieres** | MLS® Sales[1] | 935 | 900 | -3.7 | 875 | -2.8 | 556 | 549 | -1.3 |
| | MLS® Avg. Price[1] | 151,937 | 158,000 | 4.0 | 162,000 | 2.5 | 148,910 | 158,879 | 6.7 |

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Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

[1] Source for the CMA's : QFREB by Centris®, YTD: January to June

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - June

## Quebec Region Housing Forecast - Rental Market

| | Vacancy Rate | | Average Rent 2-Bedroom Units | |
|---|---|---|---|---|
| | Oct 2010 | Oct 2011(F) | Oct 2010 | Oct 2011(F) |
| **Gatineau** | 2.5 | 2.4 | 711 | 725 |
| **Montréal** | 2.7 | 2.4 | 700 | 705 |
| **Québec** | 1.0 | 1.4 | 692 | 705 |
| **Saguenay** | 1.8 | 2.0 | 535 | 545 |
| **Sherbrooke** | 4.6 | 4.9 | 566 | 580 |
| **Trois Rivières** | 3.9 | 4.0 | 533 | 550 |
| **Canada** | 2.9 | 2.5 | 0 | 0 |

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

[1] All centres 100,000+

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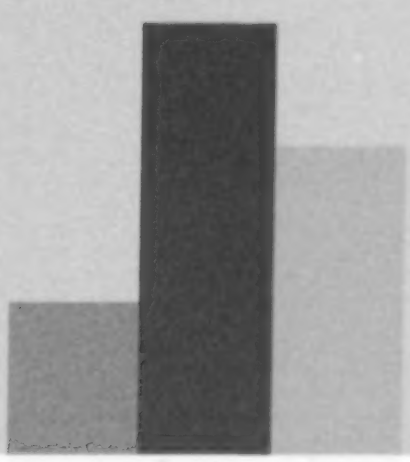

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